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Investor's Reader

For a better understanding of business news



METALLIC YULE

A Christmas tree fresh-cut from the Northwoods may soon become as archaic as real wax candles are on today's trees if Alcoa, Reynolds Metals and other apostles of the aluminum tree have their way. The glittering synthetic trees consist of a doweled wood trunk with limbs of aluminum wire covered with shredded aluminum foil "needles." Barely planted five years ago, the idea sprouted to a 40-to-50,000 volume last year. This Yule-tide season over a million aluminum trees are expected to be sold with a glittering "multi-million market" foreseen soon.

Alcoa supplies the metal for the majority of trees which are turned out by a number of small processors like Metal Trees Corp, Modern Coatings, Revlis Company and Tomar Company, all of Chicago, as well as Arandell Products of Philadelphia and Star Band of Portsmouth, Va.

Volume has been concentrated in the Chicago area where dynamic retailer Sol Polk alone sold 14,000 trees in 1958, placed an "initial" order for 25,000 this year. But now such major sellers as Sears, Gimbel's and sundry other mail order, department store and variety chains are plugging the metallic tree while Alcoa currently features them on its two national TV shows.

One big reason for this year's sharp increase in volume is a "price breakthrough." While "last year \$50 was about the minimum," current retail prices start around \$5 for a two-footer. Even so, the synthetics are of course substantially more expensive than natural trees. But aluminum men claim their trees can easily be repacked in their cartons and last many seasons. Other sales arguments are dazzling glitter, convenience ("little trimming," no needles to sweep up) and safety. This is an especially good talking point for offices and institutions where live trees must be embalmed in chemical sprays to meet fire regulations. And according to Reynolds, the cut-down in post-Christmas tree disposals will save garbagemen \$10-to-15,000 in New York City alone.



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Investor's Reader

No 12, Vol 33

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BUSINESS AT WORK

NATIONAL ECONOMY

Profit Deferral

ONE SPECIFIC example of how the crippling steel strike took expected 1959 profits of many non-steel companies and pushed them into 1960 was given last week by vice president John P McFadden of freightcar lessor & builder General American Transportation Corp. His company had expected to deliver about three-fourths of a large order for 1,700 gondola cars during the second half of 1959. But for lack of steel the entire order will now be filled (and profits realized) next year.

AUTO & AIR EQUIPMENT

Kelsey-Hayes' New Dimension

WHEN THE Kelsey-Hayes Company dropped "Wheel" from its corporate title three years ago it did so for good reason. Though still the largest independent maker of auto & truck wheels, it also rolls out a long list of other items.

During the fiscal year ended August 1956, KW (Big Board ticker symbol) made three acquisitions. First and biggest was air-minded Steel Products Engineering which added \$10,000,000 sales of radar, guided missile and helicopter parts. Next came jet engine blademaker Clevite Aero Products and lastly Utica Drop Forge & Tool which brought along more blades plus vanes, buckets, wrenches and pliers. The following year Heintz Manufacturing (jet engine parts) and Control Specialists (R&D engineers) joined the family.

Thus in the year ended August only 60% of the near-record volume of \$201,600,000 was from the auto industry v better than 90% in fiscal 1955. Almost all the rest is aircraft which approaches president Perry Williams' prediction made to INVESTOR'S READER three years ago: "We plan to make our aircraft business equal to the automotive

and we'll get there just as fast as we can." So far most of the aircraft volume is in military contracts (such as parts for air defense missiles Nike-Hercules & Zeus) but the company is shooting toward higher-margin commercial sales.

KW continues airborne and in September picked up what seems to be a real bargain—a Navy jet engine plant in Romulus, Mich at \$2,260,000 *v* a building cost of \$50,000,000.

For all its new skyward tendencies KW still has a big stake in the auto business. Consequently in fiscal 1958 when the carmakers were sputtering along in low gear, Kelsey sales dropped to \$170,000,000 from the 1957 record of \$201,900,000. Earnings also suffered a blowout, fell to \$3,582,000 or \$2.42 a share from \$8,384,000 (\$6.22).

Fiscal 1959 brought better news again to the 8,100 KW stockholders. Sales were just short of a new record and profits recovered to \$7,067,000 or \$4.88 a share. Early this Fall, Wall Streeters predicted \$6 a share earnings for 1960 but the prolonged steel strike could mean disappointment.

One KW official last week stated "our first fiscal quarter can't be good" as it falls full astride the model changeover period plus the strike-forced slowdowns and shutdowns. Since KW's biggest customers GM and Ford will not hit peak production until late December the second fiscal quarter will feel the pinch too. Meanwhile another customer, American Motors, is having less steel-slowed trouble and helps

to fill the temporary gap in demand. KW officials are counting on auto sales being merely "delayed" and still hope "1960 may be a pretty good year."

The 1,450,000 common shares last week sold around 45 or only nine times the just-published earnings. This is a moderate ratio for an age-minded stock and a Kelsey vp at Detroit attributes the lag to "sympathy with autos—people still think of us as an auto parts maker." But in the payout column KW outpaces that field with no effort; the relatively conservative \$2.40 dividend currently offers a fat 5.3% yield.

UTILITIES

Avco Generates

TWO WEEKS ago Avco Corp and a group of ten utilities headed by American Electric Power Company hosted a press conference in Manhattan's Plaza Hotel to herald a research project "which could revolutionize the nation's electric power industry." Two venerable entrepreneurs, 61-year-old Avco chairman Victor Emanuel and 63-year-old American Electric Power boss Philip Sporn, described the project and asked the press to digest the news for two days before releasing it. Then newsmen were fortified for the study period with a lush outlay of cocktails, canapes, oysters Rockefeller and baked clams.

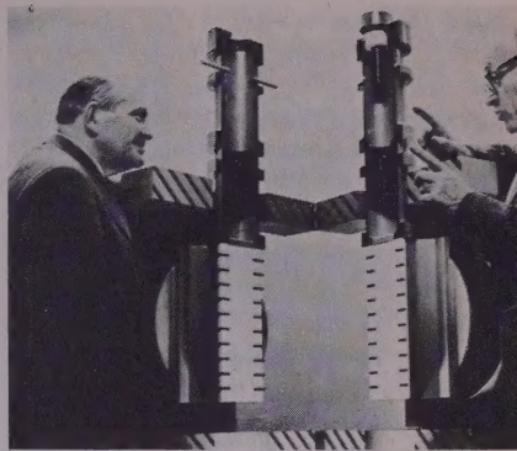
The new power system is based on the scientific principle of magnetohydrodynamics (MHD) where power is directly obtained from the motion of a superheated ionized gas through a magnetic field. In a con-

ventional power plant a turbine drives a coil of wire or generator through the magnetic field and this operation requires a host of equipment including boilers, steam piping, turbines, condensers, feed pumps, etc. The MHD plant in time would eliminate much of this costly "hardware" and "could be 25% more efficient than existing electrical power plants." Its capital costs also "will be competitive with costs of a conventional plant."

Avco has already built a unit which will for a few seconds at a time generate over 10 kw of electricity or enough to light 228 50-watt bulbs. Now the ten utilities will assume two-thirds of the research costs (which are expected to total \$350,000 over the next eight-to-ten months) and Avco the remainder.

Utilityman Philip Sporn stated the MHD plant, if successful on a broad scale, would be the first completely new concept in electricity since James Watt invented the steam engine. The electrical industry has constantly improved its generating methods but over the past 18 years thermal efficiency (the amount of electricity obtained per unit of heat energy) has only improved about 1% annually. President Sporn contends with MHD "we see at least a promise for greater efficiency." Presently steam generation at its very best has a thermal efficiency of 40% while MHD could produce one of 55% or better.

There are of course several problems connected with the system. The main one is the gas must be at a very high temperature (above 4,



Emanuel & Sporn discuss MHD

000°F) to yield electrical power and "this creates structural problems." While this heat requirement compares with only about 1,150° for present steam generating plants, the new method would concentrate heat production within a much smaller area, thereby greatly cutting the total fuel input required. Either present "fossil fuels" or atomic energy could be used to supply the heat for the MHD plant.

Worth a Wait. Considering the advantages envisaged, patient Phil Sporn feels even if it takes 10-to-30 years to develop MHD on a commercial basis, "it will be a great achievement." Judge James McAfee of Union Electric of Missouri (another project participant) hopes some practical use may be possible within ten years or sooner.

The MHD theory has been around for decades but no one knew how to put it on a practical basis. Avco began work on MHD four years ago in connection with studies on the behavior of high temperature gases involved in re-entry problems en-

countered by objects coming back from outer space.

Thus if the MHD project works out, Avco stands to realize an extra long-term dividend from its missile program activities. Its proudest role is in nose cones able to withstand the terrific re-entry temperatures. In the past four months Avco received a \$73,400,000 contract for R&D on advance design for the Titan nose cone and \$36,700,000 for development of materials for the nose cone and engine nozzle on the Minuteman.

Avco Defends. Chairman Victor Emanuel notes "we were the third biggest in defense contracts during War II" and defense business now accounts for about 60% of total volume. Until 1956 Avco was also active in the home appliance field but then it dropped its Crosley consumer line and sold its Bendix laundry machine business to Philco.

The company continues to concentrate on defense, last year sold the kitchen cabinet, sink & dishwasher end of its AK division. Avco's main interests are now in electronics, radar, communications, weapon systems and small aircraft engines for civilian and military use. Its Lycoming division makes the T55 turbine engine used on Vertol's Chinook combat-support helicopter.

The non-defense part of Avco business comes from Crosley Broadcasting Corp which has five TV and one radio stations in Ohio, Indiana and Georgia. In addition Avco is in the farm equipment field through the New Idea division's broad line of products which range from corn pickers to fertilizer spreaders. And

Avco is still in appliances North of the border through Moffats Ltd, a major Canadian supplier of gas & electric ranges.

In going through its various post-war product shifts, Avco encountered some rough times, blamed mostly on the now-discarded appliance lines. From profits of \$12,600,000 or \$1.47 a share in 1950, Avco slid to a nominal \$760,000 (nickel a share) net in 1955 and a \$16,400,000 deficit in write-off year 1956. But earnings recovered to \$10,500,000 in 1957, remained a solid \$9,560,000 (\$1.02 a share) last year.

For the nine months ended this August sales rose 11% to \$223,000,000. Pretax profits climbed 17% but due to larger taxes (the loss carry-forward was exhausted last year) net fell to \$6,270,000 from \$7,540,000. This works out to 61¢ on 12% more stock compared with 80¢ in the similar period last year. For the full year ended last week outsiders estimate pretax earnings will be about one-third greater than 1958 but net will slip somewhat to 90¢ a share. At present the company has a healthy \$300,000,000 military backlog and outsiders predict earnings in the area of \$1.25 a share in 1960.

With this outlook there is some Wall Street talk the 10¢ quarterly dividend (resumed in late 1957) might be liberalized. Meantime the MHD development has put the 10,000,000 Avco shares several times on the Big Board's "most active" list as they moved from 13½ before the press conference to 15¾ at press time —though still short of the year's high of 17½.

AMUSEMENTS

A 'Blockbuster'

THIS IS the description awarded last fortnight to *Ben-Hur* the \$15,000,000 movie extravaganza out of Loew's Inc. The accolade is significant because it comes from the seasoned and often cynical Bosley Crowther, movie critic of the often reserved *New York Times*.

Critic Crowther wrote: "This film vastly surpasses the silent version released back in 1926 * * * it is by far the most stirring and respectable of the Bible-fiction pictures ever made * * * It is too long but * * * there has seldom been anything in the movies to compare with this picture's chariot race — stunning, thrilling, mighty and with overwhelming dramatic use of sound."

Such praise exceeded anything even Loew's itself had said about "the most expensive film ever produced."

Ben-Hur comes at a propitious time—for Loew's and perhaps the whole motion picture industry. With TV hurt by public scandal and private uproar, this film could spur the trend back to the movies—despite the robust upsurge of such things as family bowling, night horse racing and parenthood.

Now shorn of its theater chain by Government axe, Loew's had made a beautiful recovery this year. In the year ended August total revenues gained 16% to \$131,000,000 while net income catapulted to \$7,700,000 or \$2.91 a share from a loss of \$1,200,000 the previous year.

As one result Loew's 2,668,000

common shares have risen from last year's low of 25 (adjusted for the theater divorce) to about 34 at presstime. Perhaps more important, the company is back on a regular dividend basis of \$1.20 a year *v* zero in the year of transition 1958.

Some possible future pluses are some TV films scheduled for 1961 and a recent oil find on Loew's property. Meantime Loew's counts on a long chariot ride with *Ben-Hur*.

PAPER

Moderate Sized Producer
Chesapeake Corp of Virginia
Stresses Good Margins

ABOUT an hour's drive from Richmond on the shores of the Pamunkey River stands a 45-year-old paper concern known as the Chesapeake Corp of Virginia. Not to be confused with Chesapeake Industries (recently renamed America Corp) which is a diversified manufacturer of films, steel partitions, etc, this Chesapeake is a medium-sized pulp & paper producer. On an average day it turns out 750 tons of kraft pulp and 600 tons of kraft paper & paperboard from one integrated mill in West Point, Va. With this compact operation plus "on-the-spot management," 39-year-old president Sture Gordon Olsson believes tighter controls are achieved.

Chesapeake income statements tend to bear out his point. In the past four years the company's pre-tax profit margins averaged 29% or about twice the industry norm. Due to the recession and general paper industry troubles, last year was not particularly bright (though

profit margins remained a solid 26% before taxes); volume declined 11% to \$23,600,000 while net fell 22% to \$2,920,000 or \$2.52 a share.

However 1959 "should be a good year" according to president Olsson. While refusing to pinpoint profits he notes sales are running ahead of last year at an annual rate of \$3-to-3½ million. If maintained, this will put volume back in the area of the \$26,500,000 total of 1957. That year the company earned \$3.22 a share. With nine-month profits recovering to \$2.50 from \$1.72 last year, Wall Streeters feel \$3.25 a share is a reasonable full-year goal. This rate would make the current price of 39 for the 1,200,000 Big Board-listed shares equal to twelve times earnings.

Chesapeake has one subsidiary in David Weber Company of Philadelphia. This concern uses its parent's paperboard to manufacture corrugated shipping containers. Sture Olsson is again reticent to give specific figures but allows "it's a profitable operation."

Family Formula. Sture Olsson himself has had much "on-the-spot" Chesapeake experience. His connection with the company dates back to its early days. His father Elis Olsson came from Sweden as a chemical engineer familiar with what was then the revolutionary new sulphate or kraft pulp process. Elis Olsson wanted a plant to develop the method and with New York financial backing he arrived at West Point in 1918, four years after the company then known as Chesapeake Pulp & Paper was founded. He redesigned

the manufacturing facilities to improve the process and stepped up productive capacity.

Elis Olsson supervised many other innovations at Chesapeake. In 1922 he installed the first Kamyr pulp dryer in this country, equipment which has now become standard in the industry. Chesapeake was also the first (in 1925) to install high-pressure steam boilers and back-pressure turbine generators. It pioneered in washing pulp by screw presses, was one of the first US mills to use rubber conveyors to mechanize handling of logs.

Innovator Elis Olsson became president in 1930. After 15 years he stepped up to chairman, a post he held until his death this Spring. He was followed in the presidency by Manuel C McDonald (now president of Great Northern Paper) who in turn was succeeded by Sture Olsson in 1952.

While Elis Olsson and Manuel McDonald were innovating at Chesapeake, young Sture was being groomed to take their place. He graduated as a mechanical engineer from the University of Virginia in 1942, gained experience as a service engineer with the Sperry Gyroscope Company until War II service with the Navy. He came to Chesapeake as a plant engineer in 1946. Five years later he was made vice president in charge of manufacturing and the next year president.

The Chesapeake presidents have preached and practiced re-investment of earnings. This policy has kept dividends steady (uninterrupted since 1933) but conservative.

Payments averaged 43% of net income over the past five years. The present 30¢ quarterly disbursement will be supplemented by 3% in stock in December but president Olsson says: "We will not raise the cash dividend now since we need the money to enlarge our business."

Expanding Efficiency. But this conservative policy has helped the company to expand without incurring a single penny of long-term debt. Moreover since 1941 the \$30,000,000-assets firm has had no preferred stock ahead of the common, one-fifth of which is family-held.

The latest Chesapeake expansion program, Sture Olsson relates, "got underway in 1948 and was finished last year. We spent about \$22,000,000 on it." This ambitious effort doubled Chesapeake capacity, added crude tall oil (used in paint, lacquer, linoleum) to crude turpentine as by-products recovered from the pulping process.

In the paper industry Chesapeake is also noted for its efficiency in recovering chemicals used in its pulp-making. Just one example: at one time the company had to buy 300 pounds of salt cake and 450 pounds of lime to process one ton of pulp. By recovering these ingredients from the cooking liquors, the figure has now been reduced to less than 100 and 30 pounds respectively.

In another area of Chesapeake efficiency, forestry, Sture Olsson is quick to point out: "We operate under constant, modern forest management." Chesapeake owns 208,000 acres of timberland, mostly in Virginia, but prefers to buy most



He re-invests earnings for growth

of its timber requirements. And for every tree it uses, the company plants or establishes by natural seeding two more.

President Olsson's plans also call for continued replanting in Chesapeake's overall expansion. He relates: "The program we are now engaged in will be more concentrated than the last and we hope to finish it in five years. But since it is more concentrated, we may not be able to do it all through retained earnings; we may have to go outside for financing but we can't predict when that may happen."

The youthful executive has plenty of confidence in the Chesapeake future. He concludes: "We plan on good long-range business. That is why we continue to spend more money on expansion."

FISCAL AT&T Credits

WHEN the latest mammoth securities offering of American Telephone & Telegraph Company—a quarter-billion issue of Aa-rated 27-year 5 $\frac{3}{8}$ % debentures, priced to yield 5.22%—quickly went “out the window,” the AT&T name proved it had much of the credit magic with large & small individual investors, as had the number “5” on the recent issue of US Government notes.

In fact the nation's biggest corporate borrower was able to get its money close to the cost Uncle Sam himself had paid *v* the more usual spread of 50 basis points between yields of Government bonds and high grade corporates. Enjoying no such magic, AT&T subsidiary New England Telephone had to price the Aa-rated 5 $\frac{3}{4}$ s of 1994 it sold in September at 5.63% and Aaa-rated

5 $\frac{1}{2}$ % Southern Bell bonds were sold to yield 5.35% late in October.

But like the Government, AT&T had to face the facts of tight money and high interest rates. Thus the new bonds carry the fattest coupons of any Telephone issue since 1923 were floated at the highest interest cost to the company and yield to the public since 1925. In fact the adjoining table which chronicles AT&T's frequent trips to the money market (straight-debenture division) since the Twenties also provides a dramatic commentary on the cycle in long-term money rates. From the nearly 6% the company had to pay in 1923, rates slid to constantly cheaper levels to the War II & early postwar trough of little more than 2 $\frac{1}{2}$ %. Then for most of the past decade, the yield line has headed steeply higher again.

Telephone's last similar issue,

40 YEARS OF TELEPHONE NUMBERS

Date	Amount (millions)	Maturity	Coupon Rate	Price to Public	Cost to Company
Nov 1959	\$250	1986	5 $\frac{3}{8}$ %	5.22%	5.27%
Oct 1957	250	1983	5	4.90	4.94
Mar 1957	250	1985	4 $\frac{1}{2}$ %	4.30	4.34
July 1956	250	1990	3 $\frac{7}{8}$	3.73	3.76
Sept 1954	250	1984	3 $\frac{1}{4}$	3.12	3.15
Jan 1950	200	1971	2 $\frac{3}{4}$	2.70	2.72
Dec 1948	150	1973	3 $\frac{1}{2}$ %	3.28	3.33
June 1947	200	1987	2 $\frac{7}{8}$	2.76	2.78
Mar 1947	200	1982	2 $\frac{3}{4}$	2.72	2.74
July 1946	125	1986	2 $\frac{5}{8}$	2.59	2.61
Sept 1945	160	1975	2 $\frac{3}{4}$	2.74	2.76
July 1945	175	1980	2 $\frac{3}{4}$	2.75	2.77
Oct 1941	90	1976	2 $\frac{3}{4}$	private	2.67
Dec 1940	140	1970	2 $\frac{3}{4}$	private	2.82
Dec 1936	160	1966	3 $\frac{1}{4}$	3.15	3.25
Oct 1936	175	1961	3 $\frac{1}{4}$	3.19	3.31
Jan 1930	150	1965	5	5.03	5.22
Jan 1925	125	1960	5	5.32	5.55
Nov 1923	100	1943	5 $\frac{1}{2}$	5.63	5.95

brought out near the end of the 1956-57 tight money era, carried a coupon rate of 5% and was sold to yield 4.90% with a cost to the company of 4.94%. However in contrast to the success of the recent offering, the October 1957 issue had proved sticky, was sold out only after the Federal Reserve signaled the reverse of its money policies by cutting the discount rate in mid-November.

The table also gives evidence of maintenance of AT&T's increasingly hearty appetite for funds. As usual, the recent issue is the largest of any on the 1959 corporate calendar, ties only the four other AT&T \$250,000,000 issues for alltime honors. It brings the total amount raised in this decade through sale of straight debentures to \$1.5 billion compared to \$1.2 billion in the Forties, \$485,000,000 in the Thirties and \$225,000,000 in the Twenties.

These totals are but part of the financing story. AT&T has also raised a pile of money directly through rights offerings to stockholders. Favorite such device in recent years has been convertibles such as the \$718,000,000 issue of 4½s of 1973 brought out in January 1958 (all but \$55,000,000 have by now been converted). For as holders of the bonds put up the additional cash needed to convert into common stock, the company has an inflow of extra funds over & above the amount of the original issue. And in 1956 AT&T made its only stock offering since 1930 — 5,760,000 common shares which brought in a whopping \$576,000,000.

MANUFACTURING International Harvester

FOR SEVEN out of the past eight years (exception: 1954) International Harvester Company has made the top-selling Billion Dollar Club. This year the big manufacturer got in its reservation for this unofficial but elite club three months early, racking up a record volume of a little over a billion in the nine months ended July. For the full year ended October outsiders estimate an alltime sales high of nearly \$1.4 billion, about \$300,000,000 over 1958 and \$120,000,000 over the previous high set in 1951.

More importantly, the four-year decline in profits from \$55,500,000 in 1955 to \$43,000,000 last year has been dramatically reversed. In fact, fiscal 1959 is expected to show earnings at a fancy new alltime high in the \$5.30 a share area, nearly double last year's \$43,000,000 or \$2.69 a share and well above the 1950 peak of \$66,700,000 or \$4.72. The 1959 record showing is even more impressive since it had to overcome a first fiscal quarter loss of \$3,600,000 (caused largely by a nine-week strike). Full of good cheer over the recent trend the directors upped the quarterly dividend a dime to 60¢ starting October. Based on the new rate and the current Big Board price of 48 or so, the 13,900,000 shares of "HR" common yield an attractive 5%.

Before the October hike, Harvester had for more than seven years maintained a \$2 annual rate and, even during the years of less impressive earnings, it always man-



International trucks continue to roll

aged to comfortably cover this payout. It derives considerable stability from its three-way diversification. International is well entrenched as the country's No 3 truck builder (right after GM and Ford) and this activity brings in a little under half of total volume. Farm machinery has taken second place to trucks in the last five years but still yields around a third of total business. Construction equipment is responsible for somewhat over a tenth of sales. All three divisions share in the banner 1959 nine-month performance with sales of each at least 25% ahead of last year.

In farm equipment Harvester is now reaping benefits from a costly but necessary tractor model changeover last year. In addition, prices of all three major product groups were increased 2½-to-6% in October 1958 and this move helped ease the profit squeeze. President Frank W Jenks notes even though labor and tire costs have climbed further, his company has not raised

prices on farm machinery this year. Rather HR hopes to wait "to evaluate the effects of a price change, if any, in the steel industry."

As for steel supplies, the highly integrated company enjoys the benefit of its own steel plant. Its Wisconsin Steel Works furnish about half the company's requirements. So far at least, HR has been able to get along with only a moderate cutback in truck production (which means some customers "will use their old trucks several months longer") while the other divisions have not yet been affected.

For 1960 company planners count on a "moderate improvement" in both the truck and construction equipment business while farm machinery demand should be about the same as relatively good 1959. At this rate HR could again net better than \$5.

All these earnings do not consolidate the undistributed profits of internationally-minded Harvester's 23 foreign and six small US subsidi-

aries in which the parent has a \$300,000,000 equity. The company collected \$1.26 a share in dividends from these units in 1958 but were their earnings counted in full, this would have added another half dollar or so to reported profits.

CHEMICALS

Harshaw Recast

WITH THE BOOKS closed on fiscal 1959 which ended September 30, middling (\$35,000,000-assets) Harshaw Chemical (IR, March 6, 1957) did some swift recasts of its original fiscal estimates. Like many another company whose fortunes are tied somewhat to the steel industry, it found the strike impact heavier than first expected.

But though the latest estimate of \$70,000,000 sales and \$2,437,000 (\$2.30 a share) net income is down from the previously hoped for \$2.50 a share profit, the Harshaw revision still records an ample gain over fiscal 1958. The expected '59 results equal a 17% boost in sales for a new alltime high and a sharp rise from the \$1,850,000 or \$1.93 a share netted in fiscal 1958. (The earnings figures include special credits of 43¢ in 1959, 36¢ in 1958.) The profit peak was reached in 1956 when Harshaw earned \$5,230,000, or \$2.54 a share on \$60,880,000 volume.

Hardest hit by the strike was Harshaw's Fluoride division which provides hydrofluoric acid and fluorine derivatives not only for steel makers but also for the petroleum, glass and refrigerant industries. Another factor in fluoride problems was keen

price competition throughout the year.

Harshaw's electroplating business, though up 24% over the previous year, also felt the effects of the steel stoppage. It supplies chemicals and various nickel anodes used in treating and electroplating metallic surfaces on autos and home appliances.

However the year was brightened by a number of new products which should figure prominently in Harshaw's future. Among them: various improved dyes & pigments and Cyronex, a copper plating solution for use under Harshaw's patented duplex nickel plating process "Perflow-Perglow" which was introduced last year. Also a catalyst to remove the noxious portions from automobile exhaust has been tested by the Society of Automotive Engineers and Harshaw is currently trying several improvements in efficiency.

In addition, Harshaw this year came up with the first commercial production of silicon tetrafluoride. When pumped into the water-bearing strata of oil and gas wells, this chemical forms an impervious cement which eliminates the need for drilling mud.

With these and many other additions to its list of already more than 1,000 chemical products, Harshaw hopes "when the unsettled conditions in steel and the non-ferrous metals industries are corrected, we will again enjoy an upsurge in the chemical industry." For the immediate term however the lengthy steel strike plus a two-week work stoppage of its own (now settled) "is having an effect on first quarter operations."



Rails Dig in for Winter Snow Battle

Plows Bore Through,
Microwave Beams Over
Costly, Delaying Snows

WHETHER by hand as in photos 1 and 3 above or by means of a giant diesel electric rotary snow plow (No 2), the men of the nation's railroads (in these three cases, the Union Pacific) are flexing their muscles for the annual battle against snow and ice—a battle which the American Association of Railroads figures has cost them \$187,000,000 in the last ten years. This does not count a number of hidden costs like communications repair bills, lost freight and passenger revenues for delays and damages.

In a relatively mild year such as 1957 the railroads will get by paying as little as \$16,000,000 for snow and ice removal. In a bad year like 1951 the cost can mount to \$30,000,000.

Consider the case of the Bangor & Aroostook Railroad which plies 611 miles of track in northern Maine. In 1958 the B&A shelled out \$450,000 for snow and ice removal or 13.7% of its total maintenance of way expenditures. Says a spokesman: "As you can probably guess from our latitude, we have some rather special problems during the winter months. Our total snowfall during the 1958-59 shipping season was 108.8 inches or nine feet of snow. It is not unusual to have a ground cover as deep as four feet at midwinter. Our snow, because of the intense cold, is largely dry and powdery, which makes drifting a major difficulty." High winds prevailing during winter accentuate the drifting. And drifting means plowing done once may have to be done all over again.

The B&A keeps 20 plows in more or less constant operation during the snow season. It uses "straight and

2



winged Russell plows [for B&A's version see picture No 9 on page 15, for Canadian Pacific's, No 7] since our terrain is not suitable for rotary plows" (like the UP specimen, picture No 2). Plenty of manual effort is put into keeping switches free of snow "although in remote, inaccessible signal territory we use propane gas switch heaters."

For the doughty little State of Maine road snow removal is crucial: the bulk of its traffic, potatoes, moves during the snow season. It faces a dip of 20% in operating efficiency during storms and heavy drifting. Occasionally, as in picture No 4 of a stalled B&A train led by a snow plow, the drifting is just too much—in this case nine feet.

Naturally, the State of Maine is not the only location where Winter's grip can mean rail paralysis if not prepared for in advance. On the Chicago, Rock Island & Pacific, superintendent J H Gilfillan of the Western division says: "Long before any of our equipment is pressed into service, our crews are hard at work. Ditches are cleaned out. Snow fences are repaired and erected. Plows and motive power are put in A-1 shape. When the snow flies, we're ready."



3

In the nation's next-to-newest state one modern method is exemplified by the Alaska Railroad, run by the US Department of the Interior (with no provision yet for a "spin-off" to the State). That road, like a number of others, has instituted microwave communication, to replace 50 miles of slide-vulnerable telegraph poles. The Alaska Railroad estimates it saves about \$30,000 a year by this use of wireless communication.

Snow slides are the subject of a





unique method of attack in Canada. The Canadian Pacific plans this year to repeat last season's successful deployment of the Queen's Own Rifles. This Calgary-based unit fired mortar blasts into heavy snows in the vicinity of Glacier, British Columbia to precipitate snowslides before they could build up into avalanche proportions. Railway snow removal equipment such as that in pictures

7 and 8 is ready to clear tracks as soon as they are covered.

In the fight against snow, the railroads must hire extra workers, dispatch them to the right locations and bring into play a quantity of special equipment. The Union Pacific worker on picture No 3 is pouring kerosene into an oil burning pot which keeps snow melted in its vicinity. It has to be refilled every 24-to-30 hours. In the yards and terminals, snow melting cans which pour flaming liquid on snow or ice are used.

The portable cans hold about three gallons of casinghead gasoline which is poured through a three-foot tube equipped with a pilot wick at its nozzle. These melting cans are particularly useful at outlying switches.

More & more the railroads are coming to use "off the track" vehicles for a variety of maintenance of way purposes (repair of ties, for instance). A typical example—hap-



bily recorded by Jersey Standard—
s the snow plow (picture 6) spurt-
ng snow like its on-track brother,
(picture 5).

But the biggest jobs are done by
on-track snow plows: push plows
like the Canadian Pacific titan (pic-
tured at right, 7); rotary plows like
the Union Pacific model shown in
comparative repose (picture 2); saw-
toothed monsters like the Canadian
Pacific model (picture 8) which
can either spray snow some distance
away or, where neighbors or cus-
tomers might object, will chew and
liquidate it in its 15,750-gallon tank,
then discreetly dump it elsewhere.

Their greatest usefulness is in
mountainous cuts where snow some-
times settles to a depth of 20 or 30
feet. The large, hooded blades of the
rotary form a circle 11½ feet in
diameter. The typical plow itself is
36 feet long and weighs a dainty
91 tons. The blades are driven by
four electric motors which obtain
their current from diesel locomotive
units attached to the rear. The snow
is ingested and spewed 60-to-100
feet away.

Unlike today, in the early era of
railroading many trains were lost
for hours—even days—in snow-
storms. In December, 1872 for in-
stance, a passenger train was snow-
bound for two weeks near Cheyenne,
Wyo. In the Winter of 1880 there
was a train in New Jersey which
disappeared in a snowstorm and was
not found for two days.

Plow or no plow, though, railroad
men say there is nothing like send-
ing out a train every half hour to
keep a line clear.



8



9



May in Spirited Retail Race

Expansion Secures New & Bigger Markets for St Louis Merchant King

THE RETAIL RACE for sales supremacy among the leading department store chains has long been a close one. For years Allied Stores held the lead with May Department Stores a close second. Then in 1952 Federated Department Stores sprinted ahead of May to cop second place; two years ago it surged into the No 1 slot.

But in the past year, since May announced the major acquisition of Hecht Company which was formally effected with the start of the 1959 fiscal year on February 1, the race has been tighter than ever. Largely as a result of merger and counter-merger, the lead has shifted back & forth between Federated and May. When the registers closed for the first half of fiscal 1959, May had rung up sales of \$299,500,000, compared with \$296,500,000 for Federated and \$289,000,000 for Allied.

Third quarter figures are not yet fully compiled but presumably May slipped back to second place since Federated added some \$65,000,000 a year to its sales through third quarter acquisitions. But before the year is out this lead may once again be challenged by May. As president Morton D May (see cover) explains: "At present we have no new mergers planned but in our business, acquisition opportunities present themselves most unexpectedly."

While May sales have increased through both internal & external ex-

pansion, the biggest boosts in volume have been the result of some astute acquisitions on the part of the St Louis merchant. One of these was the November 1958 acquisition of Denver's Daniel & Fisher store. May now operates D & F and its own May units in the Denver area all under the May-D & F name (see picture). Another volume swelling acquisition: Cohen Bros of Jacksonville this February. It gave May its first foothold in Southern markets. But the greatest hike came from the \$100,000,000-a-year addition of the big Hecht stores in Washington and Baltimore.

On a recent trip to his New York buying headquarters 45-year-old merchant Morton ("Buster") May commented: "In the last few years we have added considerably to our sales through acquisitions as well as widened our markets in some of the fastest growing areas of the country. May Stores are now first in sales in all areas of endeavor except Baltimore. We hope to be first there soon."

Profitwise the picture has been somewhat different. Long the leader among the big three, May was overtaken in 1954 by Federated. But it still remains strongly in second place among the national chains with substantially better than average margins—namely 3.4% compared with 2-to-3% for the industry as a whole and 4.3% for pacesetter Federated.

Even so May profits have shown little growth in recent years. Thus while sales in the past decade have reached a new peak each year, profits



Newest May-D & F store in Denver

have yet to approach the record set in 1950 when the company earned \$21,370,000 or \$3.46 a share. Since then the closest year was 1956 when net income came to \$20,790,000 or \$3.31. Last year with the recession noticeably hurting a number of units in heavy industrial areas, sales inched up only 1½% (to \$541,000,000 excluding Hecht) and net income fell off to \$18,570,000 or \$2.90 a share from \$20,220,000 or \$3.19 in 1957.

However, the acquisition policy should prove a boost to profits as well as sales. Consolidation of Hecht results in 1958 added an estimated \$100,000,000 to sales and about 5¢ a share to earnings, despite the additional number of shares outstanding. And in the longer term effects should be even greater as they further reflect improvement of May's position in a number of important markets.

As for the current year, Buster May expects the new Hecht merger as well as the general pickup in business to help May sales and earnings. He predicts: "Despite the steel strike sales should reach \$670-to-\$675,000,000 and we should have a good December. As for earnings, I cannot give an accurate estimate at this time. But profits will be above last year and among the best in May's history."

First Sales. The May saga dates back to 1878 when Buster's grandfather David May made a small fortune in a dry goods store in the Leadville, Colorado mining boom. Next stop was Denver where he picked up another fortune and two partners, Moses & Joe Shoenberg (Moses' son Sydney Shoenberg is on the May board today). In the Nineties David May and the Shoenbergs moved on to St Louis where they

bought out the Famous Department store at a fire sale. In 1913 Famous was consolidated with the William Barr store and today Famous-Barr ranks not only as the biggest department store in St Louis but also as the home of May management.

Eleven floors above the wide assortment of bright fashion merchandise are the May executive offices which house the management team headed by president Buster and his father 77-year-old Morton J May who serves as chairman. From here the team directs the eleven downtown and 34 branch stores in the May organization. These are found in ten cities from coast to coast with heaviest concentration in the Midwest. They are operated under the May, Famous-Barr, Taylor, Strouss-Hirshberg, M O'Neil and Hecht names while single units include Kaufmann's in Pittsburgh, Griswold's in Warren, Ohio, the Sharon store in Sharon, Pa and Cohen's in Jacksonville.

Buster May started his retail career with summer jobs in the main St Louis store while still a Dartmouth undergraduate. After his graduation in 1936 he became successively assistant buyer, buyer and merchandise manager at the Famous-Barr. In 1950 he took over as head of the St Louis unit. The following year when father Morton J moved up to chairman, Buster became president of all May stores. Since then president Buster has initiated some interesting changes in the old May lineup.

One of his chief changes stems from the "recognition that in our company there is both a selling-mer-

chandising function and a financing-real estate operation."

Real Wealth. Unlike many department stores which operate on a sale-leaseback arrangement, May has always believed in store ownership. Buster May explains: "We feel real estate is a highly profitable and indispensable part of the department store business. Retailers are in it whether they like it or not."

Until last year May's operations were directed as a single unit. Now "we've got two divisions: real estate and store operations."

As a real estate owner May has also managed to generate quite a substantial cash flow from depreciation on its units. Last year these "unreported" profits would have added \$1.62 to share earnings. Says cash-minded May: "Tax-free funds from depreciation are a most important by-product of our real estate policy" even though they are not generally recognized in comparisons within the department store industry."

May real estate operations have also helped the company develop considerable construction and management know-how which it now finds handy in the development of regional shopping centers. For example the Mission Valley Shopping Center now under construction in San Diego had been deemed impossible because of various zoning and highway problems. But May was able to work out a solution and is now a happy half-owner (along with the previous land-holders) in the new center. It will contain a May department store plus many other retail outlets, is scheduled for completion early in 1961.

More Sales. This shopping center profit philosophy has been translated into a \$100,000,000, five-year expansion and modernization program which provides for ten branch stores, three shopping centers (including Mission Valley) and accompanying warehouses and parking facilities which is slated to be finished in 1964.

To finance this new expansion May has set up a new wholly owned subsidiary, May Stores Shopping Centers which plans to secure the necessary funds through loans from insurance companies rather than through equity financing. Parent May has already transferred assets from existing stores and shopping centers to the new subsidiary. And president May reports: "We have just concluded negotiations for a \$50,000,000 mortgage loan to finance our expansion plans. It is among the largest mortgage loans in history." This brings long-term debt to a total of \$120,000,000. There are also 250,000 shares of \$3.75 and 98,000 shares of \$3.40 cumulative preferred ahead of the 6,840,000 shares of common which pay a quarterly dividend of 55¢ for a 4.5% yield. President May notes: "We have paid a regular dividend since 1911 and since 1951 our dividend payout has been 60% of earnings." May common trades on the Big Board around 49, only five points below the alltime high reached earlier this year.

Buster May has some hefty predictions for his new shopping suburbias. Says he: "Five years after completion our ten new branch stores will be bringing in about \$100,000,000 in

sales." May also expects to profit from the ownership of shopping center sites.

To meet his avowed sales goal Buster May has initiated a number of sales-spurring policies. One of these is the fashion push. While most May stores feature medium-priced merchandise, in recent years the company has stressed fashion along with economy. But Buster May notes: "What we're trying to do at May is create a fashion image, to make our stores mean more to more people."

Another May sales tool has been company emphasis on credit buying which now "accounts for 55-to-60% of all May sales." And at Famous-Barr in St Louis and the May store in Cleveland, folks who pay up charges promptly even get trading stamps.

But fundamental to May's viewpoint, all these sales tools and methods are just aspects of the determined effort to be ready to capitalize on all changes in the national sales pattern. May men point out their company now gets more than 40% of its sales from suburban branches, a considerably larger percentage than most large rivals. "The start-up costs are very high and a good deal of your early suburban business is simply diverted from your own downtown store; this unquestionably affected our profits showing. But now we have most of the cost behind us while many others still have to face it and we should be able to cash in soon."

Then looking into the future, but specifically at 1960, Buster May notes: "We are most optimistic and look for further significant gains."

Two Copying Specialists from Chicagoland

Diazo Salts Lead
Charles Bruning from
Blueprints to Copyflex

GROWTH, that highly prized industrial attribute, has been deeply imprinted on the copying and duplicating segment of the office equipment industry. Though largely dimmed by the spectacular splash of the magic brains, the suppliers of do-it-yourself copying skills have grown from almost zero at the end of War II to a very flourishing if still only medium-sized business (IR, Aug 7, 1957).

One of the bright lights in the field is the Charles Bruning Company which expects to finish this year with a 13% increase in sales and a 44% increase in profits over 1958. Specifically treasurer Vincent A McDonagh sees sales of \$42-to-43,000,000 and earnings of \$3 a share on the 1,000,000 shares presently outstanding.

This adds up to a notable gain in none-too-easy times. For one thing the company must compete and does so vigorously in a young and growing field where several innovations a year are not uncommon. More short term, the steel strike caused some customers to delay purchases.

A copying veteran, Charles Bruning first opened shop in 1897 in lower Manhattan as a blueprint service. While the company still does a large business providing equipment, supplies and reproduction services for engineers and architects, by far the most dynamic phase of its business is copy machines and

supplies (principal trademark: Copyflex).

The original Copyflex manufacturing facilities are still in paper coating production at Teterboro, NJ but in 1957 the company expanded into a modern \$4,600,000 plant at Mount Prospect, Ill, 30 miles northwest of Chicago. The plant also serves as corporate headquarters for Bruning which has been active in the Chicago area since 1917. All told Bruning has 41 branch offices (including a big Manhattan outlet) across the country plus seven branches in Canada.

Copyflex is actually an outgrowth of development in the late Thirties of what Bruning claims was "the first packaged diazotype whiteprint machine for copying engineering drawings." Since this type of device could also be used to copy other types of material, company products soon found a market outside engineering offices. Today they are used throughout industry.

One Charles Bruning user, for instance, is the Broad Street headquarters of the *Wall Street Journal* which needs a copy of its stories for each of its various editors. Instead of fumbling with "books" of alternate copy and carbon paper, each reporter types up one copy of his story on translucent sheets. They are then reproduced several times on the Bruning "Copyflex" machine which also reproduces any penciled changes along with typed material.

Liquid Method. The Bruning method depends on diazo salts which

are the key ingredients of the light-sensitive, coated paper used to make reproductions. Bruning's principal rival in diazo copying is the Ozalid division of General Aniline & Film Corp. But there are many copy machines operating under different physical and chemical principles; among them Minnesota Mining's Thermofax, Eastman Kodak's Verifax and the transfer diffusion device of American Photocopy (see page 22). These rival systems have the advantage of being able to print from either side of an opaque sheet; the Bruning machines can use only one side of a translucent sheet. But Bruning copies generally cost less.

Essentially the copy machine is an inexpensive machine which can produce low-priced duplicates (2-to-10¢ each) quicker and cheaper than a comparable office worker when her salary and overhead are considered. But because competition from mechanical if not human rivals is keen, research & development are a big part of each company's corporate makeup. For instance, last year Bruning spent \$750,000 or 2% of sales. This year its R&D budget is \$1,000,000. In addition a \$1,000,000 research lab wing is being com-

pleted at the Mount Prospect plant.

One result of this intensive research is Bruning's newest machine, the Copytron which it hopes will soon be in mass production. Designed especially for use in engineering and architectural firms, the Copytron makes full-sized copies of microfilmed images, can thus save these offices many cubic yards of storage space. The company (which already derives 20% of its volume from resale of purchased products) has also arranged to market for others a full line of microfilm equipment.

Bruning researchers are also working on a table model copy machine using electrostatic reproduction. The new machine would have most of the same uses as the Model 914 recently introduced by Haloid Xerox (IR, September 30) but would be smaller and less expensive. To date it is still in the laboratory stage.

A contributor to this year's earnings progress is the development of a "three times faster" copypaper.

The solid performance so far in 1959 plus prospects such as the new machine moved Bruning directors to propose a 2-for-1 split. Dividends

Bruning's biggest get finishing touches



are to be boosted 20% to 15¢ on the new shares. The old shares rose as high as 70 when the split was first announced, have since slipped back to a more modest 58 in over-the-counter trading. But this is still more than twice the 24 level of early 1958.

Apeco Revenues Rise As Photocopy Method Leads the Way

LIKE suburban neighbor Brunning (see above), American Photocopy Equipment Company of Evanston has experienced a sharp upturn in business. Sales for the nine months ended August were \$18,500,000 or 45% ahead of the same period last year and 5.7% ahead of the volume for all of 1958. Net income in the same period came to \$1.03 v 68¢ a share. For the full year ended last week president Samuel Rautbord expects to show sales of \$26,000,000 and earnings between \$1.40 and \$1.50 a share compared with 90¢ a year earlier.

Generally known as Apeco, American Photocopy takes its name from

the copying process used in its machines — namely photocopy. This method utilizes light to transmit the script on the original to a special photosensitive paper when both are passed under a beam. With this system photocopiers can reproduce from originals of any weight, even those printed on both sides. It will also pick up any notations made in ink, pencil or color.

Like other copiers Apeco puts a big emphasis on research. Currently the company is working under a non-exclusive license from RCA on a new process called Electrofax. While a machine using this method would be somewhat more expensive than Apeco's present photocopy machines, its beauty lies in less expensive copies. Another advantage: the final product is a dry copy rather than one which needs several minutes to dry out. While Apeco hopes to market the machine, it has no definite target date so far.

A big feature of Apeco business—as with its competitors—is to supply paper and other materials used in the copying machines it sells or rents

Photocopiers on Apeco assembly line



to the public. Sam Rautbord explains: "Our machines are no different in that respect from a razor; you can't use a razor without blades and you can't use our machines without paper and other supplies." American Photocopy now has 65,000 accounts for which it supplies these "blades"; in turn they supply an estimated 73% of Apeco volume.

As a result the company devotes particular effort to sales and to customer contacts. Says Sam Rautbord: "We have 285 salesmen divided into 13 regions with 20 branch offices. Each region competes against the others and special incentives (including cash benefits) are offered for good performance."

In anticipation of a bigger future, Apeco just announced a 25% expansion for its Evanston plant. The new plans called for a 30,000-square foot paper coating machine which "will do the work of the three in our St Louis plant." Another 10,000 square feet will be added for research & development.

Apeco's 2,500,000 shares have had a big rise, from a low of 4½ when they were first offered to the public in 1947 to a high of 50 earlier this year (adjusted for a 3-for-1 split in May). They have since settled back in their Amex berth to around 47. At this price the 12½¢ quarterly dividend provides a yield of not quite 1.1%. About 35% of the company's outstanding stock is owned by 58-year-old Sam Rautbord and his two sons, Clayton and Robert, who hold down the posts of vp-treasurer and assistant vp respectively.

OFFICE EQUIPMENT

Royal Results

WHEN they penned the annual report for the fiscal year ended July, chairman Allan Ryan and president Philip Zenner of Royal McBee Corp termed results "far from satisfactory." The fiscal 1959 figures: sales increased to \$104,000,000 from \$102,000,000 while net income improved to \$1,290,000 (62¢ a common share) from \$265,000 (not enough to cover preferred dividends).

But by the time they met with stockholders at last month's annual meeting in Manhattan's Hotel Astor the Royal pair could report somewhat more satisfaction with fiscal 1960. In the first quarter sales of typewriters, electronic computers and other office equipment rose 14% to \$26,700,000 and the company netted \$467,000 or 25¢ a share compared to a \$114,000 deficit. Chairman Ryan judged: "If we don't feel serious repercussions from the steel strike and if the general business economy goes on as it has in the last six months our earnings in the fiscal year ended next July 31 should more than double last year."

He added: "Reasonable continuation of the current earnings trend will warrant the payment of a dividend during this fiscal year." Royal McBee has paid no cash dividend since January when it disbursed 15¢ a share.

Even so Royal will still be typing out its profits at a rate considerably below the heydays of some years back. For instance it earned a peak \$4.99 a common share in 1948 and

still netted as much as \$3.89 in 1951 and \$3.47 in 1956. On the Big Board, Royal stock has also fallen from its heyday high. The 1,540,000 common shares now trade around 19, well within the 16-to-25 range in which they have idled since slipping from the 1957 peak of 40. Reasons behind the financial slide: intense price competition and reduced demand for its typewriters and heavy development costs involved in necessary computer-type diversification.

Although chairman Ryan noted typewriter sales have shown a "marked improvement" in the past six months, the steel strike has now "put a damper" on sales in certain areas. Moreover he alerted stockholders to the "serious threat" of increasing foreign competition both here and abroad. He detailed: in 1948 US manufacturers accounted for 63% of total typewriter sales outside the US while imports from abroad amounted to less than 2% of sales here at home; in 1958 US companies accounted for only 9% of sales outside this country while foreign makes claimed 24% of the domestic market.

To meet this competition Royal has established plants in Holland which will take advantage of lower foreign labor costs to produce stand-

ard and electric models for the world market and portables for export to the US.

As for computer diversification president Zenner reports Royal Precision Corp (jointly owned with General Precision Equipment) has several orders for its new transistorized brain, the RPC 4000. It will be ready for delivery by mid-1960. He also reported in September and October the subsidiary operated at a "modest profit."

The RPC 4000, a general purpose machine aimed at the small-sized computer market, will sell for \$87,500 or rent for \$1,750 a month, has twice the capacity of the LPG 30, a system the company claims "ranks second in number of installations of all full-scale electronic computers on the market." President Zenner adds: "Our goal is to maintain our position in the low-priced computer field — those selling under \$300,000."

Royal Precision hopes to develop a "planned family of data processing equipment" including a still more sophisticated computer system geared primarily to the solution of business problems. And in the next four-to-six months Royal McBee itself will announce five new products — "some in our regular lines and others which will open up new markets."

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NEW LOOK

Proof there is something new in men's clothing besides the continental look is the dapper gentleman at right who wears a carefully tailored sports jacket made entirely from cotton cloth. Put out under the Coprima and Sahkaloom labels by the Merit Clothing Company of Mayfield, Ky which claims the distinction of "the largest clothing manufacturer in the South," the new suitings from the bourbon country could conceivably develop into a new major market for our over-abundant cotton crops.

A breakthrough for cotton textiles in men's wear has long been the personal dream of Merit president William F Foster. He got together with Philadelphia yarn makers Aberfoyle Mills to research the new fabric whose secret lies in a special chemical process applied to the cotton fibers before they are even spun into yarn. As compared with ordinary men's wash & wear, seersucker, or cord suitings the new material is reputedly extremely wrinkle resistant and adaptable to the more specialized tailoring needed for regular suits.

While these new suits have as yet a very minute share of the men's market, Merit vice president James A Anderson notes: "We and the cotton industry have great hopes for them and the cotton men are certainly encouraging us." Last year Merit, which makes a full line of men's & boys' medium priced clothes, produced an experimental 15,000 cotton suits. It sold them mostly to retailers in the Mississippi Delta and Texas. This year's production has been raised moderately to 25,000. They will be featured by such widely dispersed outfits as the Harris & Frank stores in Los Angeles, Ledford's in Charlotte and Deaton-Patterson in cotton-minded Memphis.

Merit itself is privately owned and releases no sales or earnings figures. However vice president Anderson says "this year the new garments will amount to approximately 7% of our total sales."



STET

The names of insurance companies have always fascinated us because they abound in words that inspire confidence and even promise Utopia: assurance, benefit, equitable, fidelity, security.

Enviously, we've wondered whether we should change our company name to something like *Liberty, Equality & Fraternity*, or *Faith, Hope & Charity*, or perhaps *Patience & Fortitude*.

We were brooding about this when a customer of ours, an actor who is a great Shakespeare enthusiast, told us that he has always admired our fivefold name because it sounds to him like a fanfare, a kind of verbal trumpet voluntary. Our envy died immediately, and all at once we were positively pleased with the rolling, rhythmic parade of syllables that adorns our doors, letterheads, and business forms.

So pardon our pride, but let's have a flourish of trumpets. Tarantara! Tarantara! Merrill Lynch, Pierce, Fenner & Smith—Incorporated!

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